

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
International Priority Airmail, Commercial ePacket,
Priority Mail Express International,
Priority Mail International &
First-Class Package International Service Contract 11

Docket No. MC2023-75

Competitive Product Prices
International Priority Airmail, Commercial ePacket,
Priority Mail Express International,
Priority Mail International &
First-Class Package International Service Contract 11
(MC2023-75)
Negotiated Service Agreement

Docket No. CP2023-76

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD INTERNATIONAL PRIORITY
AIRMAIL, COMMERCIAL EPACKET, PRIORITY MAIL EXPRESS
INTERNATIONAL & FIRST-CLASS PACKAGE INTERNATIONAL
SERVICE CONTRACT 11 TO COMPETITIVE PRODUCT LIST

(December 19, 2022)

The Public Representative hereby provides comments pursuant to the Commission's Notice in this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add International Priority Airmail, Commercial ePacket, Priority Mail Express International, Priority Mail

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, December 12, 2022 (Notice).

International & First-Class Package International Service Contract 11 to the competitive product list.²

The Postal Service's Request includes a public (redacted) version of the Governor's Decision, a public (redacted) version of the Contract, proposed changes to the Mail Classification Schedule product list, a statement of supporting justification, and a certification of compliance with 39 U.S.C. § 3633(a). The Postal Service also filed under seal the unredacted version of the Governor's Decision and the Contract and supporting financial data estimating the contract value.

According to the Postal Service, the Contract is a competitive product "not of general applicability" within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The Postal Service maintains that the prices and classification underlying the Contract are supported by Governors' Decision No. 19-1.³

The intended effective date of Contract 11 is January 22, 2023. Request at 2. The Contract shall remain in effect until May 31, 2024, unless terminated sooner pursuant to Article 14, Article 25, or Article 35. Attachment B at 7.

COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Contract, supporting attachments, and the financial model filed under seal. Based upon that review, the Public Representative concludes that Contract 11 should be categorized as a competitive product and added to the competitive product list. In addition, it appears that the Contract will generate sufficient revenues to cover costs in the first year and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Contract 11 be added to the competitive product list. 39 U.S.C. § 3642

² USPS Request to Add International Priority Airmail, Commercial ePacket, Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 11 to Competitive Product List and Notice of Filing Materials Under Seal, December 9, 2022 (Request).

³ Decision of the Governors of the United States Postal Service on the Establishment Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, February 7, 2019 (Governors' Decision No. 19-1).

requires the Commission to consider whether the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products. 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service makes a number of assertions that address the considerations of section 3642(b)(1). Attachment D. These assertions appear reasonable. Based upon these assertions, the Public Representative concludes that the Postal Service's Request to add Contract 11 to the competitive product list is appropriate.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

Based upon a review of the financial data, the negotiated prices for Contract 11 should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a). The Postal Service must file revenue and cost data for the Contract for review in future Annual Compliance Reports. This data will permit the Commission to review the financial results of Contract 11 for compliance with 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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